



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Fiscal Analysis Memorandum

**CONFIDENTIAL**

**Requestor:** Representatives Howard, Setzer, and Szoka  
**Analyst(s):** Denise Canada  
**RE:** PCS to H537v2

### SUMMARY TABLE

#### FISCAL IMPACT OF PCS to H.B. 537, V.2 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
<b>General Fund Impact</b>	Likely Insignificant Revenue Loss - Refer to Fiscal Analysis section				

<b>NET STATE IMPACT</b>	Likely Insignificant Revenue Loss - Refer to Fiscal Analysis section
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### FISCAL IMPACT SUMMARY

The PCS to HB 537V2, creates a new, separate tax rate for vehicle subscriptions, which are currently subject to the State's Alternate Highway Use tax at an 8% rate. Lowering the tax rate on these rentals would reduce overall State tax revenue.

### FISCAL ANALYSIS

Under G.S. 105-187.5, retailers who purchase vehicles to use for rental or similar purposes may choose not to pay the Highway Use Tax but instead to pay an "Alternate Highway Use Tax" on the gross receipts they earn from renting and leasing out the vehicle. The Alternate Highway Use Tax has two tax rates:

- **3% tax:** Applies to the lease or rental of a motor vehicle for at least 365 days; and
- **8% tax:** Applies to the lease or rental of a motor vehicle for less than 365 days.

The PCS to HB 537 creates a third tax rate:

- **5% tax:** Would apply to vehicle subscriptions.

This change would lower the State's overall tax revenue, since North Carolina current taxes vehicle subscriptions at the short-term 8% rate. The overall revenue reduction is expected to be insignificant because these services are not widely available. However, because vehicle



subscriptions are a relatively new service model, no data is publicly available that would allow the Fiscal Research Division to calculate the bill's fiscal impact.

The Fiscal Research Division understands that vehicle subscription services market themselves as an alternative to traditional long-term car leasing. To the extent that subscription services are able to take over portions of the long-term car leasing market, the State could see a revenue increase since long-term car leases are taxed at a lower rate (3%) than subscription services would be under the bill (5%).

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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None.

## **FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS**

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This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at [FiscalNoteRequests@ncleg.net](mailto:FiscalNoteRequests@ncleg.net) or call (919) 733-4910.

